

REVENUE QUALITY CONTROL Computed Measures Rationale and Usage

Status Determinations

There are four (4) Computed Measures in the Status function.

1) Percent of new determinations made within 90 days

This indicator reflects the percent of status determinations made during the 90 day time period following the ending date of the quarter in which a new business becomes liable. It is intended to provide a measure of the effectiveness of the methods used by the SESA to identify and register liable employers in a timely manner. The end of the quarter date is used in this indicator to promote consistency in measuring timelapse by assuring that all SESAs count from the same date.

The ninety (90) day timeliness indicator is governed by the need to have employer wage records secured in the SESA files for timely benefit payments. Also, undue delay in setting up an account can result in a loss of revenue.

Good customer service is provided if employers are promptly assigned their account number and notified of their status.

2) Percent of new determinations made within 180 days

This indicator reflects the percent of status determinations made during the 180 day time period following the ending date of the quarter in which a new business becomes liable. The 180 day timeliness indicator is governed by the need for additional time and incentive to make determinations which have passed the due date for the 90 day indicator. This indicator encourages SESAs to use all available methods to identify and register those employers whose registration could not be completed within the 90 day period.

The number of determinations made within 180 days includes the count made within the 90 day period so the percentage at 180 days will always be equal to or greater than the percentage at 90 days. SESAs should consider it desirable if, over a period of time, the percentage of determinations made in 90 days grows.

The ultimate goal is to complete as many accurate determinations as possible within the 90 day time period. SESAs should be making efforts to decrease the number of determinations made during the 90-180 day time frame and move them into the 90 day timelapse period. These two measures allow this kind of analysis. Information from the Status Methods Survey can serve as a management tool in this endeavor. A review of tools and methods used to find and identify liable employers should be conducted to determine if all possible resources are being used.

3) Percent of successor determinations made within 90 days

(same as Indicator #1--count from the end of the quarter date in which the business became liable as a successor)

4) Percent of successor determinations made within 180 days

(same as Indicator #2--count from the end of the quarter date in which the business became liable as a successor)

Successor determinations include:

- the merger of two existing accounts
- partial and complete successors (with or without transfer of experience)
- newly liable as well as existing accounts.

The separate focus on successor determinations recognizes the significant added complexity and investigative time inherent in these transactions. Delays in the identifying and processing these ownership changes result in added workload to correct existing files and reports. By tracking these determinations, SESAs are alerted to the possible need to redirect resources or revise procedures to promptly establish successors.

The numerators used in all four measures are NEW elements from the revised ETA 581 Report, because the timelapse is measured from the end of the quarter NOT the date the employer liability occurred. The denominator for the successor measures (measures # 3 & #4) is a NEW element from the revised ETA 581 Report.

Report Delinquency

There are six (6) Computed Measures in the Report Delinquency function. These indicators provide information on how effective the SESA is in obtaining reports timely and in securing and resolving delinquent reports. The six indicators are:

1) Percent of reports filed timely (contributory employers)

This indicator reflects the percent of voluntary compliance. It is intended to provide a measure of SESA efforts to promote voluntary filing through effective publications/forms, educational programs and/or utilization of enforcement tools. Analyzing this indicator in conjunction with the Methods Survey, will enable the RQC Reviewer to identify factors which encourage voluntary employer reporting compliance.

Reports are considered timely if received by the SESA's due date which, for this measure, is defined as the date after which the SESA can impose penalty and/or interest, which ever comes first.

An increasing percentage is the goal for this measure.

2) Percent of reports secured by the end of the following quarter (contributory employers)

This indicator measures the percent of employer compliance by the level of secured reports for the preceding quarter. The "secured" definition combines voluntary employer reporting and SESA influenced reporting. It excludes report delinquencies which are resolved by final assessment of estimated wages and employers ruled non-labile for the quarter, thereby maintaining emphasis on employer compliance and on the effect of SESA efforts to secure delinquent reports. When analyzed with indicator #1 (above), it should be possible to determine the effectiveness of SESA reporting enforcement efforts.

The count of reports secured includes those received timely in the same ETA 581 report quarter.

This will provide management with information on how complete the processing has been for reports due in a given quarter BEFORE reports begin arriving for the next quarter. It promotes prompt processing of secured reports since the report must be posted by the end of the quarter to be counted as secured.

When these measures are analyzed along with data collected in the Methods Survey, RQC may be able to identify tools which the highest performing SESAs may have in common. This information can then be shared with all SESAs as part of RQC's role in providing technical assistance.

An increasingly higher percentage indicates the SESA has improved employer compliance.

3) Percent of reports secured plus delinquencies resolved within 180 days (contributory employers)

To effectively manage accounts receivable it is important that amounts determined to be due are established on a timely basis. This indicator is intended to bridge the gap between Report Delinquency and Collections, and in effect is an indicator of "tax report delinquency" resolved via establishing a legally due and collectable amount due. Considering that for most SESAs reports are delinquent if not filed within 30 days after the quarter ending date, and adding an additional 150 days, 180 days (i.e., two quarters) was selected as a reasonable goal for resolution of report delinquencies.

Measures number One and Two are used to check on employer compliance while this measure is to check on report delinquency follow-up. By allowing two quarters to pass, time is provided for SESAs to invoke the necessary follow-up actions of issuing assessments and investigating and determining non-labile employers.

The inclusion in this measure of final assessments by estimation of wages and of non-liability determinations for the quarter encourage SESAs to act promptly to determine potential accounts receivable. This not only tends to preserve a SESA's legal priority to employer assets, it also becomes a method to gain employer compliance in submitting actual wage information.

The goal of this measure is to reach as close to 100% as is possible.

Similar report delinquency measures have been developed for reimbursing employers. They are not combined with contributory employers because report timing, delinquency processing etc. are often different. Having the two types allows separate analysis of the methods and procedures used.

4) Percent of reports filed timely (reimbursing employers)

(same as indicator # 1)

5) Percent of reports secured by the end of the following quarter (reimbursing employers)

(same as indicator # 2)

6) Percent of reports secured plus delinquencies resolved within 180 days (reimbursing employers)

(same as indicator # 3)

The numerators used in all six measures are NEW elements from the revised ETA 581 Report.

Collections

There are eight (8) Computed Measures in the Collections function.

1. Amounts (Percent) paid timely (contributory employers)

This indicator measures the extent of employer voluntary payment compliance. It is intended to provide a measure of SESA efforts to promote payment compliance through effective publications/forms, educational programs and/or utilization of enforcement tools. It also reflects the relative magnitude of noncompliance, and how much dollar risk is involved.

Improvement for this measure would be indicated by an increasingly larger percentage.

2. Turnover of accounts receivable (contributory employers)

This indicator reflects the extent of accounts receivable workload, and indicates the rate that accounts receivable are worked in relation to tax due. If the rate is high relative to other States, or increases over time, it will demonstrate the SESA's efforts in managing receivables.

A higher percentage is desirable since it indicates that the SESA is removing receivables from the files either by liquidating them, declaring them uncollectible or moving them to the "doubtful account".

3. Percent of receivables declared uncollectible or removed to "doubtful account" (contributory employers)

This indicator represents one component of the Turnover Ratio. While a low percentage of amounts declared uncollectible or doubtful is desirable, an increasing percentage in this measure may also be an important indicator of SESA efforts to perfect accounts receivable inventories and write-off amounts for which no further collection actions are anticipated.

Analysis of this indicator, compared to the turnover ratio, will reveal if the receivables being cleared are mostly those ruled uncollectible or doubtful. It can also indicate if receivables are being removed or written-off too soon.

A steady or declining percentage here combined with an increase in the Turnover Ratio (Measure # 2) pinpoints improved collection results.

4) Percent of accounts receivable (contributory employers)

This indicator provides a measure of overall compliance effectiveness. To equitably assess the effectiveness of SESA compliance and collection efforts, a comprehensive measure will contain the amount of past due dollars as they relate to the total amount due. Long term trends due to the rise and fall in employment, wage base, and tax rates all impact the size of accounts receivable. While the fluctuations of total amounts due may be outside the SESA's control, the SESA is responsible for collecting the portion of dollars which become past due. This measure will indicate the true significance of a SESA's accounts receivable by showing what proportion of tax is past due. Also, the rise and fall of past due amounts can be better understood when reviewed in relation to the rise and fall of total dollars due.

The goal is to maintain a percentage as low as possible. As Measure # 1, amounts paid timely, increases this measure should decline.

Analysis can be done using the Methods Survey to insure all possible tools are being used to reduce receivables. In addition, a review of new or better tools can be made in order to lower this percentage. RQC will attempt to identify the tools used in common by those SESAs maintaining a low percentage. This information can then be shared with all SESAs as part of RQC's role in providing technical assistance.

Similar collections measures have been developed for reimbursing employers. They are not combined with contributory employers because collection tools, collection processing etc. are often different. Having the two types allows separate analysis of the methods and procedures used.

5. Amounts (Percent) paid timely (reimbursing employers)

(Same as Indicator # 1)

6. Turnover of accounts receivable (reimbursing employers)

(Same as Indicator # 2)

7. Percent of receivables declared uncollectible or removed to doubtful account (reimbursing employers)

(Same as Indicator # 3)

8. Percent of accounts receivable (reimbursing employers)

(Same as Indicator # 4)

The numerator in indicators # 2, 3, 6 & 7 includes a NEW element added from the revised ETA 581 Report (receivables removed at end of quarter or doubtful receivables).

Field Audit

There are three (3) Computed Measures in the Field Audit function. These indicators provide information which can be used for analysis of improper employer reporting and audit penetration by both number and size of employer. The three indicators are:

1) Percent of change in total wages resulting from audit

This measure can be analyzed to determine to a degree the level of employer compliance and understanding of proper reporting requirements. Total wages are used in lieu of taxable wages or contributions to maintain a level playing field between States. Both taxable wages and contributions fluctuate by individual State law and varying tax rates.

In an ideal world this measure would indicate zero change revealing full compliance and complete understanding of reporting requirements by employers.

Another use of this measure would be an indication of auditor performance. Are "new" auditors finding changes? Are they performing quality audits? How do they compare to "veteran" auditors?

A common use for an indicator like this is in targeting employers for audit. Are there particular types of employers who, from past audit results, would be more likely to have changes in figures originally reported? This also acts as a gauge of the effectiveness of the SESA's employer education program.

Annual averages are used to account for seasonal or other fluctuations.

2) Percent of contributory employers audited

This measure is intended to provide information on SESA audit production. Of all the employers available to be audited, how many were audited in a given calendar year?

An increased percentage is desirable for this measure.

3) Percent of total wages audited (annualized)

This measure is similar to measures #2 (above) except that it gives an indication of the size of employers audited. Of all the wages available to be audited, how much was audited in a given calendar year?

An increasing percentage indicates the audits have examined a larger portion of the total wages paid in the State. This is an indication of size of employers audited. If the same number of audits are conducted from year to year a larger numerator means more wages have been audited and therefore the employers being audited have larger payrolls. Increased percentage is the goal of this measure.

The denominator of indicator # 1 includes a NEW element (total wages audited - pre-audit) from the revised ETA 581 Report. The numerator of indicator # 3 includes a NEW element (total wages audited - post-audit) from the revised ETA 581 Report.